

Consolidated Income and Profit Appropriation Statement

For the year ended 31 December 2006
(Prepared under PRC Accounting Rules and Regulations)

	Notes	2006 RMB million	2005 RMB million
Sales from principal activities	36	47,047	39,052
Less: Cost of sales from principal activities	37	40,400	34,297
Business taxes and surcharges	38	1,321	1,129
Profit from principal activities		5,326	3,626
Add: Profit from other operations	39	301	170
Less: Operating expenses		2,976	2,953
General and administrative expenses		2,242	2,092
Financial expenses	40	1,022	439
Operating profit/(loss)		(613)	(1,688)
Add: Investment income/(loss)	41	76	(202)
Subsidy income	42	145	77
Non-operating income	43	730	152
Less: Non-operating expenses	44	32	112
Profit/(loss) before income tax		306	(1,773)
Less: Income tax	45	136	(4)
Minority interests		52	25
Net profit/(loss) for the year		118	(1,794)
Add: (Accumulated losses)/retained earnings at the beginning of the year		(1,007)	806
Accumulated losses		(889)	(988)
Less: Transfer to statutory surplus reserve	34	12	8
Transfer to statutory public welfare fund	34	–	5
Transfer to discretionary surplus reserve	34	29	6
Dividends distributed to shareholders	35	–	–
Accumulated losses at the end of the year		(930)	(1,007)

These financial statements have been approved by the Board of Directors of the Company on 16 April 2007.

Liu Shao Yong
Chairman

Si Xian Min
Director and President

Xu Jie Bo
Director and
Chief Financial Officer

Xiao Li Xin
General Manager of
Finance Department

The notes on pages 127 to 194 form part of these financial statements.